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CENTRAL INTELLIGENCE AGENCY

REPORT

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INFORMATION FROM
FOREIGN DOCUMENTS OR RADIO BROADCASTS

CD NO.

COUNTRY Mongolian People's Republic

DATE OF
INFORMATION 1944

SUBJECT Economic

DATE DIST. 6 Aug 1950

HOW
PUBLISHED Book

NO. OF PAGES 20

WHERE
PUBLISHED TokyoDATE
PUBLISHED Jan 1945SUPPLEMENT TO
REPORT NO.

LANGUAGE Japanese

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SOURCE Mongolian People's Republic (Moko Jinmin Kyowakoku), Toa Kenkyusho,
1945.

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ECONOMY AND INDUSTRY OF THE MONGOLIAN PEOPLE'S REPUBLIC

I. ECONOMY

A. General

Immediately after the establishment of the Mongolian People's Republic, the left-wing government directed all its efforts towards changing the nomadic stock-farming economy to one of socialism by doing away with a capitalistic economy. Economic ties with the Soviet Union were strengthened. From 1929 to 1931, extremely radical and progressive tax laws were applied and feudal as well as monastic property was confiscated. Efforts were concentrated on the development of cooperatives and the forced collectivization of nomadic herdsmen. Restrictions on private economy were increased, and transaction of commodities was carried out as much as possible without the help of private enterprises. All wholesale business and foreign trade were taken over by the state and became monopolies.

But the extreme leftist policy of the government ended in utter failure. Confiscation of feudal and monastic property invited opposition from the nobility and lamas. Collectivization of nomadic herdsmen influenced private business and resulted in shortage of goods, created rebellions, and forced many people to flee to other countries.

From 1928 to 15 January 1932, the confiscated feudal property amounted to 11,730,000 tugriks /one tugrik equaled .5146 US dollar in 1940/, and 2,165,000 head of livestock which was about 9 percent of the total in Mongolia at that time. During the same period, two thirds of the livestock owned by monasteries was confiscated and distributed among kolkhozes and nomadic herdsmen. The kolkhozes received 1,638,000 head and nomadic herdsmen received 649,526.

According to 1931 data, approximately 22,000 people or about 3 percent of the total Mongolian population fled from Mongolia into neighboring countries. Of that total, about 12,000 Kazakhs left Altay Aymag and about 10,000 Mongolians escaped from Altay, Omeno Gobi, and Obor Hangay aymags.

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The third extraordinary general meeting of the Central Committee of the Party, held in 1932, and the 17th Small National Assembly (Little Hurul), both recognized the mistake of following an extreme leftist policy. The government, therefore, concentrated on the wide-scale development of cooperatives. It permitted private business to operate freely and helped to establish the private economy of the masses.

Thus, after the abandonment of the extreme left policy, the economy of the Republic appeared to have followed a satisfactory course.

At the 7th Great National Assembly (Great Hurul), held, in 1936, Prime Minister Amuru stated as follows pertaining to the economy of the Republic. "The present economy in the Mongolian People's Republic is divided into three principal types: (1) individual economy, including livestock industry, private business, transport industry, and various handicraft industries; (2) state-owned economy, including state-owned companies, transport industry, foreign trade, banks, and other financial agencies; and (3) cooperative economy, including the Mongolian Central Cooperative, handicraft, transport, livestock, and other such cooperatives. Of the three groups, private industry and commerce are considered the backbone of the Mongolian economy.

"As for the remnants of feudal economy in the country, the Mongolian People's Republic intends to restrict and eliminate them. As for capitalistic elements of the Mongolian economic system, the government policy is to limit their activities gradually. As for the state-owned companies and cooperative enterprises, a basic plan is being developed gradually in conformity with the anticapitalistic program. The state controls such important business as foreign trade, wholesale trade, industries, financial agencies, and motor vehicle transportation. Seventy percent of the retail trade and some industries are controlled by cooperatives. At present, 90 to 95 percent of the country's business is being carried on by the cooperatives.

"If there is no government planning, and economic development is left to follow its natural course, it is sure to follow a capitalistic trend. Thus the essential characteristics of the economic policy of the present Mongolian government, which attempts to develop an anticapitalistic form of economy, are (1) that all important economic organs be under government control; (2) that progress be made in the development of a cooperative economy, (consumers' cooperatives, handicraft cooperatives, cooperative livestock farming, and hay gathering); and (3) that government laws and regulations prevent the development of private economy into a capitalistic economy."

B. Finance and Budget

When the extreme leftist policy advocating the destruction of the rich ended in failure, the Central Committee of the Mongolian People's Revolutionary Party, in an extraordinary general meeting held in 1932, issued the following directive in regard to the future tax-collecting policy: "The poor and middle class need not pay taxes. The rich shall be taxed to the degree where they can maintain a fair living but shall not be taxed so drastically as to destroy their livelihood. The progressive tax policy shall be maintained and the development of a feudal economy and accumulation of wealth must be restricted."

This policy still exists today. Article 61 of the new Constitution states that the financial policy of the Mongolian People's Republic "advocates raising the living standard of the working masses, eliminating the exploitation class, increasing the rights of the working class, and strengthening the national defense capacity by utilizing every measure possible." In 1929, the budget was divided into two parts; national and regional. Money for the national budget was obtained from direct taxes, indirect taxes, customs, state-owned property, state-owned enterprises, transportation and

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communications income and bonds. Money for the regional budget was received from personal taxes, industrial taxes, income taxes, and profits from the property of autonomously organized groups.

Most of the money for the national budget is obtained from indirect taxes; for the regional budget, from personal taxes. The tax obligation, as previously mentioned, is imposed on the rich by means of a progressive tax system. The policy pursued against the rich is to control and, at the same time, help them, but not to eliminate them.

During the period of the Five-Year Plan, the money used to improve the people's economy ranked first in the national budget. Others, in order of amount of expenditures, were national defense, education, and public health.

The following table gives the budgets, revenues, and expenditures of the Mongolian People's Republic during 1936 - 1942; (in 1,000 tugriks):

	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>
Budget	44,740	58,520	88,427	97,800	--	--	148,000
Revenue	53,375	69,363	92,041	102,102	123,637	172,700	--
Expenditures	48,035	65,401	98,995	98,541	218,007	--	--

The following table gives sources and amount of revenue (in 1,000 tugriks):

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>
Direct tax	20,281	28,484	24,211	28,700	41,800
Indirect tax	31,145	37,294	50,372	60,300	93,000
State enterprises	3,693	6,694	6,968	11,200	16,100
Bonds and postage stamps	821	286	3,035	13,000	15,000
Others	13,423	19,283	17,506	4,800	6,800
Total	69,363	92,041	102,102	118,000	172,700

[The total revenue for 1940, in the above table, differs from that of the previous table. No data are available to check the correctness of the two figures.]

No complete data on expenditures are available. According to a speech made by Marshal Choybalsan, it is presumed that a large amount of money is being spent on national defense.

Some of the known expenditures are as follows (in 1,000 tugriks):

	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>
Public health	6,500	7,000	10,000	--	--
Education	5,343	6,700	10,000	16,000	--
Industrial construction	8,000	29,300	28,780	--	28,500

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The income tax and cultural tax are assessed on government workers and laborers. However, those whose income is less than 100 tugriks per month are exempted from paying the cultural tax. Their tax is assessed only at the rate of one mungo [100 mungos equals one tugrik] to each tugrik of income.

The following table shows cultural tax assessed on persons whose income exceeds 100 tugriks each month:

<u>Monthly Income (in tugriks)</u>	<u>Amount Assessed</u>
80	80 mungos (no cultural tax)
90	90 mungos (no cultural tax)
100	4.50 tugriks (assessed both taxes)
150	6.50 tugriks (assessed both taxes)
200	8.60 tugriks (assessed both taxes)
250	10.60 tugriks (assessed both taxes)

The floating of bonds increased simultaneously with the increase of the national budget. The amount of bonds floated thus far include:

1. The Joint Enterprise Development Promotion Bonds -- Floated in 1930, to mature in 1935. Fifteen lotteries were held during intervening years.
2. Economic and Cultural Development Promotion Bonds -- Floated in July 1931, to mature in 1941. Fifteen lotteries were held during the intervening years. A new issue was floated in 1932 to mature in 1942. Fifteen lotteries were held.

<u>Issuing Date</u>	<u>Maturity Year</u>	<u>Amount in 1,000 tugriks</u>
1939	1949	15,000
Oct 1941	1961	20,000
Apr 1942	1962	20,000
Apr 1943	1963	20,000

C. Currency and Finance

Up to 1925, Mongolia did not have any fixed monetary system. Until then, a semibarter system was in effect. The principal mediums of exchange for the Mongolians were sheep; and for merchants, most of whom were Chinese, brick tea. Foreign trade was based on foreign currencies, especially on the Chinese silver yuan called the ta-yang.

On 9 December 1925, the Mongolian People's Republic adopted a monetary unit called the tugrik. Each tugrik coin contained 18 grams of pure silver. Besides the one tugrik coins, 10, 15, and 20 tugrik coins were also circulated. One tugrik equals 100 mungos. Paper currency was also issued. The authority to issue currency was given to the Mongolian Commerce and Industry Bank (now called the Bank of Mongolia). The following denominations in paper currencies were issued: 1, 5, 10, 20, 50 and 100 tugriks.

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The gold standard replaced the silver in 1928. The rate of exchange increased from one tugrik equaling 90 kopeks to one tugrik equaling 96 kopeks. At present, 1943, one tugrik equals one ruble and 31 kopek, in Soviet money.

The following currencies are now in existence in Mongolia: silver coins -- one tugrik, 50 mungos, 10 mungos; copper coins -- one, 2, and 5 mungos; and paper currencies -- 1, 3, 5, 10, 25, 30, 50, 100, 500 tugriks. The silver coins have been withdrawn from circulation.

The establishment of banks in Mongolia was seriously considered before the Revolution. When the Russian influence receded in Mongolia because of the October Revolution, the trade war between Russia and China was won by the Chinese and they succeeded in setting up a branch of the Bank of China at Ulan Bator. The use of Chinese currency was formally recognized in Mongolia. Taxes were paid with Chinese taels or with Chinese bank notes. Deposits made by the Mongolian government received 3.6 percent interest annually. For loans, the bank collected 9.6 percent interest from the Mongolian government. The exchange of Chinese bank notes for silver coins was permitted only at Kalgan, which meant, in effect, that no exchange could be made at all.

To counter this harsh treatment by the Bank of China, the Mongolian Commerce and Industry Bank (the name was changed to Bank of Mongolia in 1928) was established by the Mongolian People's Republic and the Far Eastern Bank of the Soviet Union, in Ulan Bator towards the end of 1923. The bank started business with a meager capital of 250,000 rubles which was later doubled. The main task of the bank was to set up a monetary unit in Mongolia, to issue bank notes, to stabilize currency, and to invest money in establishing industries for private, public, and national agencies.

During 1924-25 the bank established branch offices in all the major cities and towns in Mongolia. The bank also organized savings bureaus in several localities. As the Bank of Mongolia began to prosper, the Bank of China started to lose business and it eventually went bankrupt when the currency reform was introduced.

D. Business and Trade

Prior to the Revolution, the Chinese high-profit capitalists had a monopoly on the Mongolian market. They exploited Mongolian nomadic herdsmen by selling goods on credit or on a joint-guarantee basis. These systems and the feudal social organizations of Mongolia were the principal reasons why the nomadic herdsmen's economy was wrung dry.

The Revolution of 1921 resulted in the cancellation of all debts owned by the arat (masses) but domestic business was still under the control of foreigners, especially the Chinese. Cooperatives were set up to compete against foreign business.

At present, trade in the Mongolian People's Republic is being carried on by the Mongolian Central Cooperative, the State-Owned Trade Company, and by private business. Of the three, the Mongolian Central Cooperative is the most important.

The Mongolian Central Cooperative had a meager start with a total fixed capital of 15,000 taels and 60 to 70 stockholders. It expanded swiftly, however, with assistance from the government which wanted state ownership of trade. In 1923, there were 15 branch cooperatives; and by the end of 1924 there were 108 branch cooperatives in thickly populated centers. Agencies were also set up in Tientsin and Kalgan. The gross capital of the Mongolian Central Cooperative increased to 100,000 taels. Profits in 1923 amounted to 19,000 taels, and the number of stockholders increased to 3,000.

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The cooperatives were controlled by the government and no participation by the arat was permitted. To correct this, the First Great National Assembly (Great Hurul) reorganized the Mongolian Central Cooperative and a proposal was made to allow the participation of the populace. The same assembly also proposed that the cooperative acquire raw materials directly from producers instead of benefiting the middlemen.

During the 1928-31 period of the extreme leftist policy, the Party government tried to force all domestic business into the cooperatives. The government planned to make the Mongolian Central Cooperative the bureaucratic distributing agency of the country by forcibly recruiting members to join the cooperatives. This attempt resulted in an increase of members but it also increased expenditures and brought about losses. Furthermore, without conforming to price policies or measures to improve the living conditions of the arat, the Mongolian Central Cooperative, which adhered to the government policy of suppressing private business, restricted the flow of goods, brought about a shortage of consumers' goods, and aroused the dissatisfaction among the arat.

The extraordinary general meeting of the Central Committee of the Mongolian People's Revolutionary Party, in July 1932, abandoned the policy of destroying private business and the monopolistic and undemocratic attitude of the Mongolian Central Cooperative. Private business was again permitted to operate freely and new cooperative laws were decreed which stipulated that anyone could become a cooperative member without being forced to join. The system of electing officials was revived, and the free profit system returned. Loans could be obtained directly from the banks. Also, except for permanent business houses in somon centers, a business network was organized which dealt directly with the arat.

The reorganization of the Mongolian Central Cooperative was effected, and business began to follow a natural and harmonious development. In 1932, there were 802 cooperative stores which were all permanent business houses. In 1932, a cooperative technical school was established to train cooperative officials. From 1935 stockholders have been receiving dividends. The capital and number of stockholders increased yearly. The paid-up capital in 1934 reached 449,700 tugriks and the number of stockholders increased to 8,841. In 1940, the paid-up capital was 1,582,000 tugriks and the number of stockholders, 133,100.

In this way, the importance of the cooperatives in domestic business increased greatly. In 1924, the cooperatives transacted 7 percent of the total domestic business; in 1934, they handled 70 percent; in 1940, 90-95 percent. If this increase continues, it is expected that eventually the Mongolian Central Cooperative may monopolize the domestic business of Mongolia.

As mentioned previously, private business was firmly established in the nation's economy after the Revolution. But after the establishment of the Mongolian People's Republic in 1924, the policy of the government had been to limit and control private business and to facilitate the fullest development of cooperatives. During the period of extreme leftist policy in 1929-31, pressures were exerted to destroy private business. This policy ended in failure and private business was again allowed to operate in July 1932. Thereafter, development of private business was encouraged. To place private business under national control, the State-Owned Trading Company (Gostrog) was set up to direct business, to extend loans, and to carry on wholesale trade.

By 1934, about 30 percent of the total domestic business was handled by private business. Actually private business was encouraged solely to increase circulation of goods and to produce more consumers' goods. Private business faces eventual extinction as the number of cooperatives increases. The business tax started in 1940 can be said to be one means of restricting private business.

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This business tax requires that individuals who travel back and forth to towns and cities selling goods, livestock, etc., shall go to municipal public offices to show the goods to be sold and also ownership certificates (issued by the somon public office) and then pay taxes. After the tax receipt has been issued, permission is granted to sell goods.

The following table shows taxable items and the amount of business tax required for each:

<u>Taxable Items</u>	<u>Business Tax Required</u> (in tugrik)
Horses per head	1
Cattle per head	0.5
Sheep per head	1
Hay per cart load	1
Firewood per cart load	2-3
Cattle dung per cart load	1

All commodities in the Republic have fixed prices. This condition has prevailed since 1936, despite shortages of commodities. Consumers' goods were placed on a ration system in 1940. Since the outbreak of the German-Soviet War, the decrease in imports and insufficient distribution of goods because of the poor transport condition have resulted in shortages of such commodities as tea, tobacco, sugar, and cloth. Some goods were not allowed to be sold unless exchanged for livestock products. Consumer goods became very expensive and affected the livelihood of the people considerably.

After the Revolution of 1921, there was keen competition for the Mongolian market among Chinese merchants, foreign trade agencies of Soviet Union, and the Mongolian Central Cooperative. The effort of the People's Revolutionary government, backed by the Soviet Union, to eliminate Chinese competition, ended in failure because the arat, who were tied up with Chinese capital opposed the move tenaciously. But, in 1930, when the trade monopoly and the state-ownership program of the Mongolian People's Republic were resolutely enforced, the Chinese were forced to retreat and, as a result, Mongolia carried on foreign trade exclusively with the Soviet Union.

The trade monopoly, however, affected domestic trade and resulted in a shortage of consumers' goods and inadequate circulation of goods. Accordingly, various revisions were made to the trade monopoly program of the Mongolian Central Cooperative. The State-Owned Trading Company was established to replace the STORUMONGU [Romanji spelling of Mongolian], and a dual trade-monopoly system was established.

In the past, Mongolia exported livestock products and imported agricultural and light industry products from other countries. Livestock products still maintain a lead in export items; but in imports, factory equipment, gasoline, and metallic goods are gradually increasing, which is a clear indication that the industrial development in Mongolia is being stepped up.

Prior to the outbreak of the German-Soviet War, goods imported from the Soviet Union had been very great. Today, however, exports to the Soviet Union are greater than imports. Exports in 1939 amounted to 41,500,000 tugriks; imports, 49,100,000 tugriks.

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The commodities imported and exported in recent years are unknown, but that of 1936 is listed for reference:

1936 Imports From Soviet Union

<u>Import Commodities</u>	<u>Quantity (MT)</u>	<u>Amount (1,000 rubles)</u>
Ground barley	7,895	1,247
Wheat flour	49,545	8,038
Tea	4,283	3,196
Sugar	6,065	1,549
Candies	1,588	2,445
Dried fruits	481	342
Butter	274	497
Tobacco	974	2,336
Cotton cloth	2,306	5,782
Canned goods	379	394
Wine, alcohol	604	728
Clothing	158	2,168
Silk goods	60	1,486
Woolen goods	60	394
Tanned leather	188	1,034
Hemp goods	613	904
Oil	4,379	2,383
Ceramic goods	99	124
Rubber goods	54	212
Shoes	149	994
Glass and glass products	595	293
Radio and telecommunication equipment	29	276
Agricultural equipment	285	218
Iron and copper plates	1,440	323
Iron and copper wires	495	135
Household utensils	1,228	1,893

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(Continued)

<u>Import Commodities</u>	<u>Quantity (MT)</u>	<u>Amount (1,000 rubles)</u>
Chemicals and medicine	312	382
Dyes	337	323
Matches	853	438
Electrical equipment	190	286
Motor vehicles, bicycles	418	814
Tractor, motor vehicle parts	215	875

Exports to Soviet Union

<u>Export Commodities</u>	<u>Quantity (MT)</u>	<u>Amount (1,000 rubles)</u>
Live animals	30,262	12,640
Fresh meat	460	380
Animal intestines	41	106
Animal fur	91	566
Wild birds for meat	1,378	1,282
Leather raw materials	4,474	4,778
Sheep wool	3,130	7,036
Fur	1,945	4,666
Total	41,681	32,454

II. INDUSTRY

A. General

To create more industries in Mongolia, the government looked for material assistance from the Soviet Union. As a result, leather processing, shoes, woolen cloth, blankets, fur-washing industries, and modern agriculture were introduced by the USSR. It was also planned to develop coal and gold mining and the electric power industries. Animal husbandry was gradually changed from a nomadic to an organized cooperative system. Thus the expansion of production capacity became the most important goal of the Mongolian People's Republic.

Regionally, industrial development prospects are as follows:

1. Doronod, Hentey, and Suhe Bator Aymags

This region is the virgin steppe area of Mongolia. It makes an ideal pasture and because grass grows profusely, sheep thrive in this area. Although some farming is carried on in the Herelen and Uldza river basins,

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these areas are not too well suited for further agricultural development. Some coal is also mined in this region; however, the quality is poor and deposits are too small to be of any value.

2. Tob Aymag

More industries exist in this region than anywhere else in the Republic. Ulan Bator is the largest industrial center of the country. The Nalaykha Coal Mine is located 40 kilometers from Ulan Bator, and is the largest in the region. The forest areas surrounding Ulan Bator provide excellent game. With the exception of the Ulan Bator area, the basic occupation in the region is animal husbandry. Some farming is done in the Tola River basin. Possibilities for developing this region into a large farm area are few.

3. Selenge Aymag

Conditions in this region are suited for industrial development. Buryats and Russians have been farming here for a long time. About 45 percent of agricultural products of the Republic come from this region. Because of its rich grass growth, the region is ideal for livestock farming. The forest areas in the Hentey Mountains can be exploited to develop a timber industry.

4. Bulagan and Hobsoyol Aymags

Livestock farming, especially cattle breeding, is the principal industry of this region followed by agriculture and hunting. There is little prospect for further expansion in these fields.

5. Ubsa Nuur, Bayan Ologoy, Hobodo Aymags

This region is noted for its abundant water supply. It can be developed into the second largest agricultural area of the country. The basic occupation in this region is animal husbandry and it is well-known for the breeding of fine horses. The Tannu Ola Mountains provide good hunting grounds.

6. Ara Hangay, Obor Hangay, Bayan Hongor, and Dzabhan Aymags

This region is in a virgin steppe belt which provides the country's best pastureland. Sheep raising predominates here. Ara Hangay Aymag is the most thickly populated of the country. No industries exist worthy of mention. There is, however, a gold mine in Bayan Hongor Aymag.

7. Dorono Gobi, Dunda Gobi, Omono Gobi, and Altay Aymags

This region is the least developed in the country because it is situated in the Gobi Desert. Industrial development is impossible because of the dry soil, lack of rainfall, and grass. Camel breeding is the only known occupation of this region.

B. Animal Husbandry

The basis of the national economy of the Mongolian People's Republic is animal husbandry. Livestock provides one of the three basic foods for the Mongolian people. Animals are used as beasts of burden. They are the principal commodity exported in exchange for goods not available in the Republic. For this reason about 90 percent of the population in Mongolia is engaged in animal husbandry. The income from animal husbandry is about 79 percent of the total national income.

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The distribution of livestock in Mongolia depends largely on natural and geographic conditions. In the pastures and forests of the northern region, cattle breeding is predominant and very few camels are raised. In the border regions, sheep and goats are raised. They comprise about 70 percent of the livestock of the country. Many camels and some goats are raised in the desert and semidesert areas in the south.

Although the livestock in Mongolia are of inferior strain, they are suited to the manner of living pursued by Mongolians and to local weather conditions. Cattle and sheep are raised primarily for fresh meat. Horses are not used as draft animals but for riding. About 51 percent of the horses in Mongolia, mainly in the western areas, average about 130 centimeters in height. The Arabian horses range between 140-150 centimeters; thoroughbreds are about 160 centimeters. The horses in Mongolia, however, have endurance and are lively.

The Mongolian-strain bulls are weak and not practical for draft or transport purposes. Gankhaynak cattle, a cross between male cattle and female yak, are used as beasts of burden. From the olden days, the Mongolian carried on nomadic stock farming, going wherever water and grass were available. A livestock protective program, such as the gathering of hay, storing of fodder, and construction of livestock shelters, had never been considered. For this reason, during the severe winter months, approximately 20 percent of the livestock died of starvation and disease. Not less than 200,000 animals are lost each year from attacks of wolves.

Since the establishment of the Republic, the government has been concentrating on a program to increase livestock population. The following measures have been taken:

1. Hay Gathering

- a. Machine Hay-Gathering Station

With assistance from the Soviet Union, 10 machine hay-gathering stations were established in 1937. The equipment in all of these stations included 40 tractors, 470 mowing machines, 285 horse-drawn rakes, 20 automobiles, and 10 gasoline motors. The stations were directed by the Russians. The hay-producing acreage totaled some 71,959 hectares. The number of machine hay-gathering stations increased to 24 in 1938 with 107 tractors, 1,373 mowing machines, 862 horse-drawn rakes, and 122 baling machines. The total hay-producing acreage was increased to 126,703 hectares.

- b. Hay Gathering by Arat

Hay gathering by the arat has been a basic animal husbandry policy of the Mongolian People's Republic. At present, cooperative hay gathering is practiced widely among the arat. The number of arat who have participated increased from 2,902 persons in 1926 to 38,802 persons in 1938. The hay-producing areas also increased from 1,706 hectares in 1924 to approximately 76,000 hectares in 1931, 91,877 hectares in 1936, and 202,391 hectares in 1938. It was planned to increase this acreage to 885,900 hectares by 1942.

2. Construction of Livestock Shelters

To protect livestock from inclement weather, 26,572 livestock shelters were constructed in 1932, about 5,186 in 1937, and 174,456 in 1939. Most of these shelters are movable and can be erected wherever needed. Some shelters are provided with heating equipment to be used during winter months.

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3. Drilling of Wells

The drilling of wells in water-scarce areas has been encouraged. There were 11,229 wells in 1937. The number had increased to 13,562 by 1940.

4. Loans

Loans for drilling wells, constructing livestock shelters, breeding of good livestock, storage of hay, etc., in 1931 totaled 73,500 tugriks. This amount was increased to 5,600,000 tugriks in 1940.

5. Veterinary Stations

Rinderpest has been the most prevalent animal disease in the Mongolian People's Republic. However, rinderpest epidemics are now being minimized by the universal administering of preventive inoculations. Other prevalent animal diseases are anthrax, smallpox, aphthae (thrush), glanders, mouth cancer, and hydrophobia. The regions where these diseases occur most frequently are: rinderpest in the Gobi Desert and southeastern Mongolia; anthrax in Hadhal, Altan Bulak (Kyakhta), and all of eastern Mongolia; smallpox of sheep in the eastern region; and infectious pneumonia of cattle in western Mongolia. The sources and areas of glanders cannot as yet be determined accurately. Because of the many wild dogs, hydrophobia occurs everywhere.

To combat such epizootic diseases, the government has made plans to increase veterinary stations. The Veterinary Bureau was established under the jurisdiction of the Ministry of Interior in 1923. The bureau has organized various branch offices, antiplague stations, and surveyed livestock for diseases. It also established semimobile veterinary stations which gave free diagnosis service. The bureau also established bacteriological analysis stations in 1925 which provided vaccines for preventive inoculation of animals to combat rinderpest, anthrax, smallpox, and hydrophobia. In this way, the veterinary network expanded and by 1939 some 15 diagnosis stations, 166 dispensaries, and 136 somon veterinary stations were established. Examinations were made of about 3 million head of livestock.

6. Wolf Hunting

Since loss of livestock from wolf attacks reached about 200,000 heads each year, the campaign to exterminate wolves is considered very essential.

7. Publicity to Encourage Livestock Farming

Stock farming is encouraged by means of radio, newspapers, books on animal husbandry, and propaganda campaigns by the members of the People's Revolutionary Party and Youth League.

8. Measures to Raise Better Livestock

The State Livestock Product Experimenting Station was established to carry on various experiments, including crossbreeding, improvement of fodder, etc.

The government program to increase the number of livestock has brought good results. During 1925-30, the number of livestock doubled. The following table clearly shows the increase between 1918 and 1930 (in 1,000 head):

<u>Year</u>	<u>Cattle</u>	<u>Horses</u>	<u>Camels</u>	<u>Sheep</u>	<u>Goats</u>	<u>Total</u>
1918	1,400	1,500	300	9,500	--	12,700
1924	1,512	1,339	275	10,649	--	13,775
1930	1,887	1,567	481	15,660	4,081	23,676

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However, because of the enforcement of the extreme left policy, the number of livestock in 1932 dropped to 16,320,000, which was a 32 percent decrease from 1930. Abandonment of the extreme leftist policy, meant encouragement to private stock farmers. The number of livestock began to increase again from 1933 as follows:

<u>Year</u>	<u>Cattle</u>	<u>Horses</u>	<u>Camels</u>	<u>Sheep</u>	<u>Goats</u>	<u>Total</u>
1934	2,721,400	1,623,300	328,100	12,841,100	3,922,400	20,947,000
1935	2,035,900	1,765,200	557,800	12,007,400	3,242,700	22,691,200
1936	2,396,900	1,082,600	547,000	12,869,600	3,742,000	22,825,000
1937	2,401,600	1,900,000	500,000	12,000,000	3,000,000	23,292,500
1938	2,698,300	2,026,400	592,200	15,038,400	3,000,000	25,000,680
1939	2,725,200	1,000,000	628,100	15,666,600	5,041,600	26,097,800
1940	2,879,038	2,397,493	161,108	15,656,203	5,032,658	26,126,500
1941	3,030,870	2,541,353	170,288	16,862,716	5,470,846	28,076,073
Planned	--	--	--	--	--	34,600,000

Note: The data for the table was obtained from several sources; therefore, there may be some inaccuracies.

Changes have occurred in the ownership of livestock. A 1918 survey shows that princes, who numbered only 0.1 percent of the total Mongolian population in that year, averaged approximately 2,703 head of livestock each. The monasteries, averaged 662 head, which was 17 percent of the total livestock population in 1918. The arat, representing 79.1 percent of the total Mongolian population, owned an average of 60 head per person. However, with the confiscation of the property of the nobility and lamas, the assessment of a radical progressive tax, the emancipation of serfs, and abolishment of the custom of forced labor and annual payments to princes, a great change was made in the ownership of livestock. In 1937, only 0.7 percent and, in 1938, only 0.5 percent of the total number of livestock remained in the hands of the monasteries.

At present, monasteries own almost no livestock. Arat ownership of livestock increased from an average of 60 head in 1918 to 110 head in 1938. The ownership of livestock by individuals is now limited to 50 bode (one cow or a horse equals one bode, one camel equals two bodes, one camel equals 1/7 bode, and one goat equals 1/4 bode).

In 1940, an unprecedented program for animal husbandry was announced by the Mongolian People's Republic. The goal it proposed was as follows:

"According to the plan proposed by the Sciences Commission and the Ministry of Animal Husbandry of the Mongolian People's Republic, it is possible to raise, during 1951 - 1953, 200 million head of livestock. If we strive to collectivize livestock management; if livestock industry is really placed in the hands of the Party; and if maximum efforts are exerted by the arat, the Youth League, and Party toward increasing the present number of livestock from the 26 million to 50 million by 1945, it will not only mean material happiness for the arat but will help the economy of the whole country. Our slogan should be: Raise 50 million head of livestock by 1945."

If this program had been realized, it no doubt would have brought considerable benefit to Mongolia. But the plan bogged down from the very first. It was planned to increase the 28 million head of livestock in 1941 to 34 million

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in 1942. Actually, during this one-year period, the number of livestock decreased to 24 million. The reasons for this decrease can be attributed to unsound crossbreeding, inadequate care of young animals, poor management of the cooperatives, and increase of livestock and livestock products exports to the Soviet Union because of the German-Soviet War.

Accordingly, the government had to start the livestock raising program again in 1943 with a goal set at 25,800,000 head.

In recent years, the government has forbidden the free buying and selling of livestock by individuals. Purchasing and slaughtering of livestock can be done only after permits are received. To obtain such permits, taxes have to be paid. The tax rates assessed are as follows:

a. For livestock purchased by cooperatives -- one cow, 10 tugriks; one sheep, 2 tugriks; and one goat, one tugrik.

b. For livestock purchased by individuals -- one cow, 15 tugriks; one sheep, 3 tugriks; and one goat, one tugrik.

C. Agriculture

In 1911, a special colonization bureau was established in Ulan Bator by the Chinese government. The bureau encouraged the migration of Chinese into Outer Mongolia and converted 70,000 hectares of land into cultivated areas. The Chinese were forced to retreat from Outer Mongolia at the outset of the first Mongolian Revolution. Buryats and Russian farmers replaced the Chinese. They carried on farming along the Selenga River basin. There were hardly any Mongolian farmers before the Revolution.

Agriculture in Mongolia contributed very little to the national economy. The dry weather, rocky soil, lack of irrigation, and salty marshes did not encourage the development of agriculture.

Since the establishment of the Mongolian People's Republic, a plan was formed to encourage the Mongolians to participate in agriculture. The government organized the Soviet-type goskhozhes and kolkhozhes, and beginning in 1930 the Five-Year Plan was started to attain self-sufficiency in agricultural products. Up to that time, 12,285 tons of wheat flour and 4,095 tons of millet had been imported annually. The amount of money paid for such imports had reached about 4 million tugriks annually. The government planned to develop self-sufficiency in agriculture so that the money for imports could be used to import agricultural machinery and equipment.

With this aim in mind, the 8th meeting of the Mongolian People's Revolutionary Party and the 6th Great National Assembly passed a resolution which stated that "the fulfillment of the main task of the Five-Year Plan includes raising the grain needed by the working masses, the maximum development of agriculture, private enterprises, kolkhozhes, and goskhozhes."

To achieve these goals, it was proposed to cultivate 32,000 hectares of land in 1930 and to increase that acreage to 110,000 hectares by 1935. The acreage which was supposed to be cultivated by kolkhozhes and goskhozhes was to have been increased from 27 percent to 85 percent during 1930 - 1935. But the plan was not carried out due especially to the opposition by the arat to the extreme leftist policy of the government.

After the 1932 swing to the right, the Republic tried to develop agriculture as a subsidiary industry to livestock farming. The primary requirement was to raise more fodder for livestock. Although cultivated acreage for fodder dwindled for a time, it began to increase again after 1934 as follows:

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<u>Year</u>	<u>No of Hectares</u>
1934	15,516
1936	11,107
1937	15,103
1938	11,364
1939	19,420

The number of farming households reached 17,800 in 1938.

The outbreak of the German-Soviet War helped Mongolia somewhat in attaining self-sufficiency in agriculture. The import of foodstuff from the Soviet Union naturally decreased and Mongolia was forced to raise its own grain and vegetables. The government made the sowing of seeds compulsory by distributing seeds to somon and bag governments. By 1942, all the vegetables needed by the people were raised in Mongolia and one-fourth of the grain needed was also raised within the country.

The seeded acreage increased from 41,500 hectares in 1941 to 66,620 hectares in 1942, and 72,200 hectares in 1943.

The government is now considering many measures to encourage agriculture, such as: (1) cooperative cultivation; (2) the use of modern cultivating and planting techniques; (3) irrigation and use of agricultural machinery; (4) free rental of farm equipment and free distribution of seed; (5) compulsory plantings in somons and bags; and (6) giving awards to model farmers.

The future of agricultural development in Mongolia does not seem too bright despite all these encouragements by the government. The only suitable agricultural areas are located in the Selenga River basin and in Ubsa Nuur Aymag. Other areas are suitable only for livestock farming because of weather and terrain conditions.

Only one crop can be gathered in Mongolia. The field is seeded in May and the crop is harvested in October. The main agricultural crops are wheat, barley, rye, oats, millet, and vegetables.

The yield per hectare in 1930 and 1931 was:

<u>Crop</u>	<u>Yield (in kg)</u>
Wheat	800
Rye	800
Millet	320
Barley	800

No matter how much improved agricultural technique is applied or modern equipment used, the yield per hectare cannot be expected to be increased beyond the amount given above.

D. Hunting

Next to animal husbandry, hunting plays an important role in the national economy of the Mongolian People's Republic. At the beginning of the XX Century, Russian merchants exported tarbagany fur (a specie of marmots) to European markets from Mongolia. Approximately 2,500,000 tarbagany hides were shipped in 1909.

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Fur-bearing animals are found in the mountains of Hentey Hangay and Altay aymags. In 1934, 1,300,000 tarbagany skins were processed, followed by 73,900 squirrel skins, 60,400 Tatar fox skins, 31,900 fox skins, 12,900 wolf skins, and others such as lynx, leopard, hares, black marten, and sable.

The hides and fur export in 1934 was about 50 percent of the total exports; in 1939, it dropped to 20 percent of the total. To forbid the reckless killing of fur-bearing animals, the government has established a hunting season, announced certain approved hunting methods, and has provided game preserves.

E. Mining

The underground resources of the Mongolian People's Republic include: coal, gold, silver, lead, copper, iron, mercury, graphite, sulfur, magnetite, gypsum, kaolin, antimony, asbestos, salt, diamonds, and other gems. Coal and gold mining are the most important.

Nalaykha Coal Mine is located about 40 kilometers southeast of Ulan Bator. It has 500 miners, including Russians, Chinese, and Mongolians. The mine has an estimated deposit of 500 million tons. The grade of coal is poor and disintegrates in the sunlight. The coal is mined in shafts 20 meters underground. The annual output from 1934 to 1940 was:

<u>Year</u>	<u>Amount (in MT)</u>
1934	40,000
1936	70,000
1937	111,000
1938	112,730
1939	129,000
1940	158,128

The coal is transported from Nalaykto Ulan Bator by means of a narrow-gauge railroad. The coal is used in combines and for other purposes.

Bayan Bulak Coal Mine is located about 20 kilometers northwest of Bayan Tumen. It has an estimated deposit of 9,360 metric tons. Coal is mined from April to October. The quality is poor. The coal is used mostly in Bayan Tumen.

Other coal mines are the West Sayn Shanda Mine, about 14 kilometers west of Sayn Shanda; Chernogol, south of the Yukdzhinil Monastery; Jirgallanta, 85 kilometers east of Bayan Bulak Mine; and Ondor Haan, 60 kilometers north of Ondor Haan. The coal from these mines is of inferior quality and mining methods are rather crude.

The Mongolia Company, which was in operation until 1920, was the first gold-mining organization established in the country. Gold deposits are found in the tributary areas of the Orhon, the Iro, the Shara, the Hara, and the Kudara river areas, and in the upper reaches region of the Harelen River. Most of the metal is in the form of gold dust. There is a gold mine near the Guindogan Monastery, 10 kilometers southwest of Tsetserlig. The output is small. A crude concentration method is used.

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To develop the mining industry, surveys, technical development, and manpower are necessary.

F. Industry

After the establishment of the Revolutionary government, light industries were set up with the assistance of the Soviet Union. The greatest difficulty encountered in developing industry has been the training of workers. There were very few skilled workers, and the Chinese, who were the principal source of trained manpower in the Mongolian People's Republic, did not know the Mongolian language.

The following table shows the distribution of workers in various enterprises in Mongolia in 1930:

<u>Type of Enterprise</u>	<u>Mongolian (in %)</u>	<u>Chinese and Other (in %)</u>
Tanneries	58	42
[Illegible] factories	15	85
Sawmills	40	60
Nalaykha Coal Mine	14	86
Brick factories	30	70
Beer breweries	70	30

The Choybalsan Combine, established in Ulan Bator in 1930 with the help of the economic agencies of the Soviet Union, was completed and began operations in 1943. The factories attached to the combine and the annual production capacity of each are as follows:

<u>Type of Factory</u>	<u>Yearly Production</u>
Tannery	
Leather (pieces)	50,000
Sheepskins	250,000
Shoe factory	
Mongolian boots (pairs)	90,000
Boots	70,000
Wool-washing plant	
Wool (MT)	725
Textile mill	
Woolen cloth (meters)	725,000
Sheep-wool factory	
Woolen cloth (pieces)	150,000

The combine also has a 2,000-kilowatt power plant, warehouses, machine shops, living quarters for workers, dining rooms, club houses, and dispensaries. Some 1,500 people work at the combine.

Other industrial enterprises in the Mongolian People's Republic are:

1. Steam Fur-Washing Plant -- Established in Hadhal in 1933 with the help of Soviet engineers. The plant has 300 workers, mostly Mongolians.

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2. Meat Combine -- In Ulan Bator; has 200 workers.
3. Altan Bulak Leather Works -- Organized from many small shops owned by several individuals. Workers in 1930 numbered about 200. Produces 30,000 pieces of leather and 9,000 pairs of shoes annually.
4. Machine shop -- Established by German engineers at Ulan Bator in 1929. About 200 workers, many of whom are Chinese. Specializes in repair of machinery.
5. Brick Factory -- Located in Ulan Bator. Annual output in 1930, about 8 million bricks; in 1940, about 12 million bricks.
6. Iro Sawmill -- Located on the Iro River bank. The mill is old and small.

The following table shows the industrial production increase from 1927 to 1940:

<u>Year</u>	<u>Annual Production (in tugriks)</u>
1927	1,800,000
1934	4,398,763
1935	12,384,317
1936	16,685,656
1937	21,508,434
1938	29,245,920
1939	39,400,000
1940 (planned)	40,000,000

The number of workers also increased along with the increase of production as shown in the following table:

<u>Year</u>	<u>No of workers</u>
1927	60
1930	650
1934	2,726
1935	3,492
1939	9,969

In addition to state industrial enterprises, handicraft industrial cooperatives are helping the development of industry in Mongolia. The handicraft industrial cooperatives were established in 1931. In 1934, there were 33 such cooperatives with a total membership of more than 1,000. In 1940, the handicraft cooperatives increased to 151 with a total membership of 38,120. During 1938-40, lamas were enlisted in production work. One hundred and eighteen cooperatives were organized with lamas as members, including some 5,549 lamas who had returned to laity.

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The handicraft industry produces Mongolian shoes, processed leather, horse-drawn baggage carts, wooden products, and food-stuffs. The handicraft industry produced 327 different kinds of articles in 1939 and supplies one-fourth of the country's needs.

The labor unions in the Mongolian People's Republic were organized at the same time that the industrial enterprises were established. The sewing workers' union was the first union to be organized in Mongolia. Chinese and Mongolian workers had their own unions.

The second labor union conference, held immediately after the 7th Party meeting in 1928, ousted the rightist leaders. The conference also decided to abolish unions organized according to different national groups, and the responsibility for directing the labor movement was placed in the hands of the Labor Union International.

In accordance with the directive of the Executive Bureau of the Labor Union International, issued on 20 April 1931, labor unions were not to be controlled directly by the Mongolian People's Revolutionary Party, but were only to receive help from the Party and the Youth League.

The basic function of labor unions was to protect the rights of workers in private enterprises, state-owned agencies, and cooperatives.

There were only six labor unions in 1930. The number increased to 14 in 1938. The members also increased from 10,000 in 1930 to about 12,000 in 1940.

There are the following unions in Mongolia today: sewing workers, construction workers, hospitals and dispensary workers, transport workers, business house workers, government workers, leather workers, printers, communications workers, teachers, agricultural workers, state-owned enterprise workers, miners, and electrical workers unions.

The constitution of the Mongolian People's Republic guarantees an 8-hour working day, social insurance, prenatal care for pregnant women, etc. But because of the present international situation, all these benefits have been ignored. Workers are encouraged to work harder and produce more.

G. Lumber

Forests are located in the mountainous areas of the north and cover about 7 to 9 percent of the total area of Mongolia. The lumber industry is, therefore, negligible. The trees include: larch, white willow, white birch, Siberian cryptomeria, silver fir, and red pine.

Lumber is of very little use in Mongolia since few people live in permanent houses and since cattle dung is used for fuel instead of wood. But the demand for lumber is increasing with the elevation of the cultural level of the people and with increases in national defense projects.

The government has established a Forestry Office and a forest ranger organization to protect the forests. Permits are required to cut trees. Trees for firewood require a payment of 28 tugriks of tax for each cubic meter. The tax on trees for building lumber is assessed according to the size of the trees. Lumber for constructing livestock shelters is tax free to encourage more people to take up livestock farming.

The government has set up sawmills where forced labor is used for lumber cutting.

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H. Fishing

Most fishing is on the Selenga, the Orhon, and the Herelan rivers and on Buir Nuur, Hobsogol Dalay, etc.

Although the rivers and lakes abound in fish, the Mongolian religion forbids the eating of fish. Until recently, no Mongolian has pursued fishing as a means of livelihood. Most of the fishermen were Russians.

In recent years, because of the lack of food and increases in exports to the Soviet Union, the government has been encouraging people to use fish for food. However, the people are reluctant to break an old custom.

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